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MICHAEL KEARNS
Acting Executive Director

ARIZONA CORPORATION COMMISSION

March 31, 2009

The Honorable Jan Brewer
Office of the Governor
1700 W. Washington Street
Phoenix, Arizona 85007

Re: State plans for distributing Federal Stimulus Funds aimed at energy efficiency and renewable energy programs.

Dear Governor Brewer:

As the body responsible for public utility regulation in Arizona, we have a strong interest in proposals and activities which impact electric and natural gas utilities and their customers. As you know, the American Recovery and Reinvestment Act ("ARRA") provides in excess of \$150 million dollars for energy efficiency and renewable energy programs in Arizona. The recently issued Department of Energy guidance regarding ARRA suggests that funding be used to expand existing programs, including ratepayer-funded energy efficiency and renewable energy programs.

The Corporation Commission has been very involved in energy efficiency efforts and has approved utility budgets totaling in excess of \$37 million dollars for this purpose. Existing utility programs have been found to cost as little as 1.02 cents per kWh, offering cost savings to utility customers.¹ The Commission has also launched workshops to address whether utility rate structures or incentives should be altered in order to encourage greater adoption of energy efficiency in Arizona.

As Arizona's stimulus plans are finalized, we encourage you to consider setting aside some of the ARRA funding designated for Arizona for use at existing utility energy efficiency programs. The cost savings to be found and the potential leveraging opportunities to be had through existing programs offer a unique opportunity to create lasting long-term benefits for both residential and business customers, while at the same time helping to create jobs for Arizona's economy.

Thank you for your consideration of this matter. Please do not hesitate to contact us if we can be of assistance as your office designs a plan for the distribution of the ARRA energy funds.

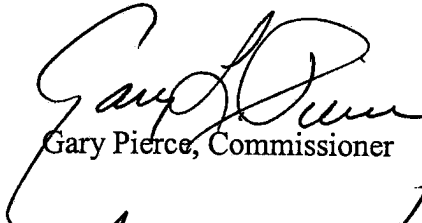
¹ Utility programs include low-income weatherization, discounts for compact fluorescent light bulbs, energy audits, Heating Ventilation and Air Conditioning ("HVAC") system rebates, among other programs.

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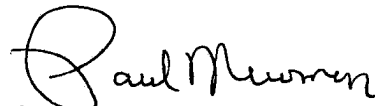
Sincerely,



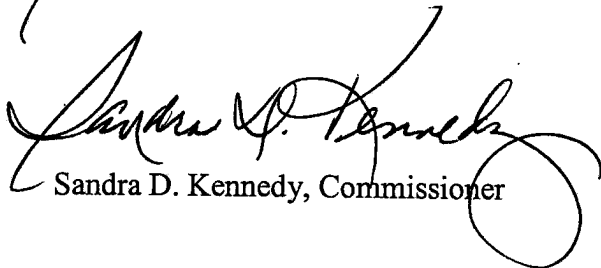
Kristin K. Mayes, Chairman



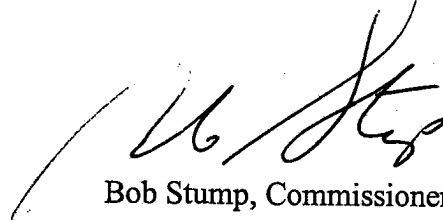
Gary Pierce, Commissioner



Paul Newman, Commissioner



Sandra D. Kennedy, Commissioner



Bob Stump, Commissioner

Cc: Ernest Johnson
Janice Alward
Michael Kearns
Rebecca Wilder
Mike Anable